

# Trading Analysis

## MARKET INSIGHT

### FUNDAMENTALS IN FOCUS

#### **Oil falls \$1 as dollar gains, investors shun risk**

Oil fell by more than \$1 on Monday as the dollar strengthened and investors shunned commodity risk because of Europe's deepening sovereign debt crisis, while economic gloom dampened the outlook for energy use.

Brent crude fell as much as \$1.12 to \$111.65 a barrel and was down by 0.8 percent at \$111.90, while U.S. crude slid \$1.08 to \$86.16. The dollar rose about 0.4 percent against a basket of currencies.

Risk aversion erased about 3 percent of Brent's value in the previous two sessions on speculation Greece would default, while G7 finance ministers pledged a coordinated response on Friday to the global economic slowdown, but offered no specific steps and differed in emphasis on Europe's debt crisis. Greece on Sunday slapped a new tax on real estate to plug a 2011 budget hole, please international lenders and secure a key new loan tranche as concerns mounted in Europe over its euro zone membership.

In other markets, Asian stocks fell and the euro weakened to six-month lows against the dollar after the resignation of a top German European Central Bank board member cast further doubt on Europe's ability to tackle the debt crisis.

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Investors were also looking at data showing China's implied oil demand in August slipped to its lowest rate this year, as maintenance and accidents cut into refinery production.

Fuel consumption in the world's No.2 user has been losing steam since May, with growth easing off the double-digits seen since last year because of higher crude costs that have squeezed refining margins and as Beijing's credit tightening moves cut into fuel spending.

Still, on a year-on-year basis China's oil use expanded 7.8 percent, Reuters calculations based on preliminary government data showed on Saturday.

Concern about damage to U.S. Gulf oil infrastructure eased after Tropical Storm Nate made landfall in central eastern Mexico over the weekend, with no other major weather disturbances expected to affect the hydrocarbon-rich region in the short term.

Oil markets were also eyeing production and exports of Libyan crude following the country's power transition. About 2 million barrels of very light crude oil have been offered via a tender, making it the largest volume to come to market since war erupted in February.

## MARKET RESEARCH

Spot Price 9th Sep 2011	Gold	Silver	Crude Oil
Closing	1855.30	41.44	87.04
Open	1869.25	42.29	88.70
High	1885.74	42.68	89.48
Low	1823.16	41.18	85.63

Pivot Table 12th Sep 2011	Gold	Silver	Crude Oil
Resistance 3	1954.20	44.124	93.14
Resistance 2	1921.60	43.455	91.32
Resistance 1	1890.60	42.539	89.28
PIVOT POINT	1858.00	41.870	87.46
Support 1	1827.00	40.954	85.42
Support 2	1794.40	40.285	83.60
Support 3	1763.40	39.369	81.56



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#### **Euro slumps to 10-year low vs yen as Greece worries mount**

The euro hit a six-month low against the dollar and a 10-year trough versus the yen, falling below key technical levels and option barriers on worries that the euro zone's support for Greece is wobbling and the country may be forced to default on its debt.

Markets are also bracing for possible ratings downgrade on France's top banks, as well as Italy's sovereign rating. Moody's warned on June 17 that it may cut Italy's credit ratings in the next 90 days.

The common currency fell as low as \$1.3550, its lowest since late February, before stabilizing around \$1.3587, still down 0.5 percent on the day. It dropped below \$1.3655, a 61.2 percent retracement of its rally to \$1.4940 in May from \$1.2860 in January. In the very near-term, the euro could be oversold, trading way below the lower Bollinger Band, now at \$1.3711. Its 14-day relative strength index has fallen below the 30 mark, which is considered to be oversold territory, for the first time in more nine months.

#### **Gold extends losses after worst week since June**

Gold fell further on Monday but could attract bargain hunters after posting its worst closing since June in the previous session as the dollar rallied against the euro on growing doubts about Europe's ability to resolve its debt crisis.

### FUNDAMENTALS

- Spot gold eased \$4.21 to \$1,852.95 an ounce, well below a lifetime high around \$1,920 struck last week.
- Greece on Sunday slapped a new tax on real estate to plug a 2011 budget hole, please international lenders and secure a key new loan tranche as concerns mounted in Europe over its euro zone membership.
- Gold demand, which dropped in the second quarter of this year, is expected to strengthen by the end of 2011, driven by robust jewelry buying in India and China and recovery in investment demand, senior World Gold Council (WGC) officials said.
- Silver, bronze, ebony and plastics are seeing greater use in jewelry as surging gold prices put off price-conscious consumers, jewelry makers at an international trade fair said.

#### **Gold extends losses on dollar, jewellers shop around**

Gold fell further on Monday after posting its worst closing since June last week but bargain hunters could cushion the fall, while escalating worries about Europe's ability to resolve its debt crisis sent bullion priced in euro to a record high.

Fears about a Greek default rose after senior politicians in German Chancellor Angela Merkel's centre-right coalition started talking openly about it following the surprise departure of German's top official at the European Central Bank last week.

Spot gold eased \$4.02 to \$1,853.14 an ounce, well below a lifetime high around \$1,920 struck last week, with speculators still cashing in on the metal to cover losses in equities.

The euro fell to six-month lows against the dollar as more negative news from Europe hit already shaky sentiment, and markets were also bracing for possible ratings downgrades on France's top banks, as well as Italy's sovereign rating.

The uncertainties about global economic growth have driven gold prices to record highs since July, and are expected to underpin sentiment for the metal until investors are convinced the danger of recession is past. The physical sector saw bargain hunting from jewellers in Indonesia and Thailand, keeping premiums for gold bars steady.

Buying is expected to pick up in top consumer India, where the wedding season, traditionally the period of greatest bullion demand, gets under way in September. Gold demand, which dropped in the second quarter of this year, is expected to strengthen by the end of 2011, driven by robust jewellery buying in India and China and recovery in investment demand, senior World Gold Council officials said.

In the energy market, oil fell by more than \$1 on Monday with a stronger dollar as investors shunned commodity risk because of Europe's deepening sovereign debt crisis, while economic gloom dampened the outlook for energy use.

*Risk warning: Please note commodity futures, forex, and foreign exchange products are leveraged products and may not be suitable for everyone as it is possible to lose more than the funds you deposit. Please ensure that you fully understand the risk involved.*



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#### **Gold demand to strengthen by end 2011: WGC**

Gold demand which dropped in the second quarter of this year is expected to strengthen by the end of 2011, driven by robust jewelry consumption in India and China and recovery in investment demand, senior World Gold Council (WGC) officials said on Friday.

Overall gold demand fell 17 percent year-on-year in the three months from April to June to 919.8 tonnes as a sharp drop in investment demand offset a tentative recovery in jewelry buying, the gold mining industry-funded WGC said in August.

In the third quarter, demand appears to have started to start recover with increasing concerns about weakness of major global economies prompting investors to buy gold as safe haven while Asian consumers continued to splash out on jewelry, the WGC officials told Reuters.

David Lamb, WGC managing director for jewelry, said economic gloom will hit gold jewelry appetites in western markets, but jewelry buying in India and China -- which together account for 55 percent of global jewelry demand -- remains very strong.

"If you add that up, because of the biggest and most dynamic move (in gold jewelry demand) eastwards, we think this year will show an overall positive trend," Lamb said.

#### **Oil falls on economic fears, dollar gains**

Oil prices fell on Friday as the euro and equities tumbled on increasing gloom over economic growth and reinforced worries about Europe's debt problems. Despite the day's losses, Brent and U.S. crude futures posted small gains for the week. Prices rose earlier in the week on tropical weather threats to U.S. output and a ruling by Germany's top court briefly soothed euro zone debt fears.

The euro fell to a 6-1/2-month low against the dollar as risk aversion increased on news that a member of the European Central Bank's Executive Board will step down due to a conflict over controversial ECB bond-buying.

The dollar index .DXY, measuring the greenback against a basket of other currencies, gained more than 1 percent. Dollar strength can pressure oil by making it less affordable for consumers using other currencies and by attracting investment to markets offering better returns.

U.S. stocks tumbled more than 2 percent as the ECB news reinforced concerns about the region's debt and as investors remained skeptical about how much of U.S. President Barack Obama's \$447 billion proposal to generate jobs would make it through Congress.

U.S. October crude settled down \$1.81, 2 percent, at \$87.24 a barrel, having dropped as low as \$85.64. U.S. front-month crude posted a third consecutive weekly gain, up only 79 cents, just under 1 percent. The Brent premium to its U.S. counterpart was at \$25.53 a barrel based on settlements, after reaching a record \$27.23 intraday on Tuesday.

Brent trading volume was 23 percent above the 30-day average and slightly outpaced U.S. crude volume that was 15 percent below its 30-day average.

U.S. gasoline and heating oil futures also fell. Gasoline ended nearly 4 percent lower after last Monday's Labor Day holiday, the traditional end of the U.S. summer driving season. Also bearish for oil, especially Brent, was news that about 2 million barrels of Libyan crude have been offered via a tender, the largest volume to come to market since civil war erupted in February.

The increasing recession fears ramp up the pressure on G7 finance chiefs meeting on Friday to take action to revive economic growth. International Monetary Fund chief Christine Lagarde on Friday urged policymakers to use all available tools to fuel growth. The G7 meeting and Lagarde's remarks followed the Organization for Economic Cooperation and Development saying on Thursday that the outlook for growth in developed countries has worsened in the last three months.

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### TECHNICALS IN FOCUS

#### Gold

• Spot Gold finished lower on Friday after trading both sides of zero line in an extremely volatile session. Gold futures for immediate delivery however, managed to finished tad higher. Gold went through some wild swings during the session as it rose over 1% during Asian session and fell as much 2.5% during European hours. News that Juergen Stark, an ECB board member quit his positions intensified European debt crisis and kept the safe haven bid alive for gold, which on the other hand was experiencing a turbulent day due to profit taking and stronger U.S dollar. The main concern for European Union is worsening debt situation in Greece which is heading towards potential default after its bond yields rose to record high and government so far has failed to implement effective deficit cut measures. G7 finance ministers met over the weekend in France but failed to deliver any desired outcome

• The 3 support levels for the day are \$1827.00, \$1794.40 and \$1763.40, whereas the resistance levels are \$1858.00, \$1890.60 and \$1921.60 respectively.



On daily charts, prices are sustaining above 20 DMA and also acting as a medium term support for the metal. RSI (14) is currently at 56.90 and has a lot more room to move lower before entering its oversold territory. MACD is well established in the bullish region and has given a sell signal. Stochastic oscillator has come off its overbought territory and maintains its sell signal.

## MARKET RESEARCH

Gold Prices Spot 9th Sep 2011	USD/Oz	Technical Study 12th Sep 2011	USD/Oz
Closing	1855.30	20 Day EMA	1820.64
Open	1869.25	50 Day EMA	1734.88
High	1885.74	100 Day EMA	1645.20
Low	1823.16	200 Day EMA	1539.50
Range	62.58	9 Day RSI	54.34
Change	-0.74%	14 Day RSI	56.90
		26 Day RSI	59.56



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### TECHNICALS IN FOCUS

#### Silver

- The 3 support levels for the day are \$40.954, \$40.285 and \$39.369 and the 3 resistance levels are \$41.870, \$42.539 and \$43.455 respectively.



In daily charts, silver is on the verge of breaking its 20 DMA. RSI (14) is currently standing at 50.93 level and still has a lot of room to go down before it enters its oversold territory. MACD is above its zero level in bullish zone and has given a sell signal. Stochastic oscillator has come off its overbought level and maintains its sell signal

## MARKET RESEARCH

Silver Prices Spot 9th Sep 2011	USD/Oz	Technical Study 12th Sep 2011	USD/Oz
Closing	41.44	20 Day EMA	41.34
Open	42.29	50 Day EMA	40.11
High	42.68	100 Day EMA	38.61
Low	41.18	200 Day EMA	35.94
Range	1.50	9 Day RSI	47.87
Change	-2.00%	14 Day RSI	50.93
		26 Day RSI	52.84

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### TECHNICALS IN FOCUS

#### WTI – Crude Oil

- Crude oil closed in the green owing to speculation about strong building in the Gulf of Mexico posing a threat to oil supply in the U.S amid shrinking crude stock piles.
- The 3 support levels for the day \$85.27, \$83.95 and \$81.87 whereas the 3 resistance levels are \$87.35, \$88.67 and \$90.75 respectively.



On Daily charts oil has broken below 20 DMA and also acting as a short term resistance. RSI (14) is currently at 44.94. MACD is below its zero line and increasing histograms indicate that upside momentum is gaining strength. Stochastic oscillator is indicating that downside momentum is gaining strength and is on the verge of giving a sell signal.


## MARKET RESEARCH

Crude Oil Prices Spot 9th Sep 2011	USD/Oz	Technical Study 12th Sep 2011	USD/Oz
Closing	87.04	20 Day EMA	87.19
Open	88.70	50 Day EMA	89.85
High	89.48	100 Day EMA	92.69
Low	85.63	200 Day EMA	92.69
Range	3.85	9 Day RSI	44.45
Change	-1.87%	14 Day RSI	44.94
		26 Day RSI	44.44


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